Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Access Charge Reform	)	**CC Docket No. 96-262**
	)	
Price Cap Performance Review for Local Exchange Carriers	)	**CC Docket No. 94-1**
	)	
Low-Volume Long Distance Users	)	**CC Docket No. 99-249**
	)	
Federal-State Joint Board on Universal Service	)	**CC Docket No. 96-45**

REPLY COMMENTS OF CINCINNATI BELL TELEPHONE COMPANY

Cincinnati Bell Telephone Company ("CBT"), an independent, mid-size local exchange carrier submits this reply in response to comments filed on November 12, 1999 in the above captioned proceeding.

I. INTRODUCTION

As stated in its comments in this proceeding, CBT supports the adoption of the proposal filed by the Coalition for Affordable Local and Long Distance Service ("CALLS") if it is adopted in its entirety. CBT objects to the suggestions of the many commenters who urge the Commission to adopt individual components of the plan. Before the Commission could disaggregate the components of the plan, CBT submits that a rulemaking proceeding on that specific issue would be required. The record in this proceeding, which deals with the CALLS proposal, does not appropriately or adequately address the individual components on a stand-alone basis.

In this reply CBT leaves the many issues raised by the various commenters to the CALLS, with the exception that CBT will address comments of the Public Utilities Commission of Ohio ("PUCO") regarding the application of the proposed new SLC.

II. THE CALLS PLAN DOES NOT SET THE RATE FOR THE NEW SLC, BUT RATHER IMPOSES A CAP

In its comments, the PUCO suggests that local exchange carriers, such as CBT, would be able to set their new combined SLC at $7 and $9.20 and thus, over recover the true cost of the local loop.[1] While in theory that may be true, in fact the $7 and $9.20 are <u>caps</u>, not absolute amounts that carriers may impose regardless of their costs.

The SLC cap under the CALLS proposal would apply in the same manner as the current SLC cap, and as noted in the proposal, "(m)ost residential SLCs will never reach $7.00 per month."[2] Under the proposal, the maximum SLC a carrier may charge will be equal to the <u>lesser</u> of the carrier's average price cap common line, marketing, and TIC ("CMT") revenue per line or the cap. For primary residential and single-line business lines the cap begins at $5.50 per line on January 1, 2000 and gradually increases to $7.00 per line by January 1, 2003. The cap for non-primary residential lines and multiline business lines is set at $7.00 and $9.20, respectively, on January 1, 2000. Neither the non-primary residential line nor the multiline business line cap increase in subsequent years. As shown in the spreadsheets filed with the Commission on September 1, 1999 by the CALLS, it is estimated that most carriers will never reach the caps.[3]

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[1] Comments of the Public Utilities Commission of Ohio ("PUCO") filed November 12, 1999 at pages 17-18. The PUCO actually refers to "proposed $7 and $9 SLCs," whereas the SLCs proposed by CALLS are $7 for residential lines and $9.20 for multiline business lines.

[2] *Memorandum in Support of the Coalition for Affordable Local and Long Distance Service Plan*, filed August 26, 1999 at page 15.

[3] See *The CALLS Plan: Simplified Projected Estimates* submitted as an attachment to an *ex parte* letter filed by Evan R. Grayer on September 1, 1999.

Contrary to the PUCO's suggestion that the CALLS proposal would enable CBT to set its SLCs at $7.00 and $9.00 regardless of its costs, the CALLS proposal would instead keep CBT's SLCs much lower than these caps. The spreadsheets indicate that CBT's residential (primary and non-primary) and single-line business line SLCs would never exceed $5.52 while the maximum rate reached by the multiline SLC would be $5.55.

CBT notes that the PUCO's comparison of the SLCs to carriers' TELRIC loop rates is misplaced. TELRIC rates for unbundled network elements ("UNEs") were designed to replicate the costs of a competitive marketplace, allowing competing local exchange carriers to purchase them in lieu of deploying their own facilities. Access charges, on the other hand, provide for the recovery of an incumbent LEC's costs that have been assigned to the interstate jurisdiction under the separations process.[4] The SLCs developed under the CALLS proposal are designed to allow ILECs to recover their interstate common line revenues and are clearly unrelated to costs used for UNE pricing.

In spite of attempts by the Commission in recent years to move to a more rational access charge structure that more accurately reflects the principles of cost causation, significant distortions and inefficiencies are still built into the rates because of historic separations and universal service policies. The CALLS proposal, while perhaps not perfect in every respect, represents a reasonable compromise that will result in a more efficient cost causative access charge structure. This new structure will in turn spur competition in the residential local exchange markets by allowing historic subsidies to be made explicit and incenting new entrants to serve local residential and rural markets.

[4] Although for price cap ILECs the direct link between costs and rates is severed, the initial basis for deriving these rates ties back to the separated interstate revenue requirements.

III. CONCLUSION

CBT believes that the CALLS proposal, although not perfect, represents a reasonable step to a more cost causative rate structure—one that will allow long-term benefits to consumers. The CALLS plan, if adopted as proposed, will result in more competition for consumers, and therefore, it is in the public interest for the Commission to promptly adopt it in its entirety.

Respectfully submitted,

By: __________/s/_________________

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